

TAR: THA 39119

Technical Assistance to the
Kingdom of Thailand for
Promoting International
Cooperation on Anti-Money
Laundering and Combating the
Financing of Terrorism
(Financed by the Cooperation
Fund for Regional Trade and
Financial Security Initiative)

June 2005

Asian Development Bank

CURRENCY EQUIVALENTS

(as of 6 May 2005)

Currency Unit	–	baht (B)
B1.00	=	\$0.0254
\$1.00	=	B39.42

ABBREVIATIONS

ADB	–	Asian Development Bank
AML	–	anti-money laundering
AMLO	–	Anti-Money Laundering Office
APG	–	Asia/Pacific Group on Money Laundering
CFT	–	combating the financing of terrorism
FATF	–	Financial Actions Task Force on Money Laundering
TA	–	technical assistance

TECHNICAL ASSISTANCE CLASSIFICATION

Targeting Classification	–	General intervention
Sector	–	Multisector: finance, law, economic management, and public policy
Subsector	–	Anti-money laundering: banking; capital markets, insurance, law and judiciary
Themes	–	Governance, capacity development

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. The Government of Thailand has requested technical assistance (TA) from the Asian Development Bank (ADB) to strengthen its regime for anti-money laundering (AML) and combating the financing of terrorism (CFT). A wide spectrum for technical inputs and urgent capacity building are needed to support the Government's efforts to enhance its current AML-CFT regime. A comprehensive analysis of the need for such assistance in Thailand was presented at the 2004 Annual Meeting of the Asia/Pacific Group on Money Laundering (APG) and discussed by all development agencies concerned. Providing support for building a more effective AML-CFT regime is in line with ADB operations in Thailand, which emphasize good governance as one of the major pillars for assistance. The TA will be consistent with ADB policy to enhance ADB's role in combating money laundering and financing of terrorism.¹ An ADB fact-finding mission met with the Government's AML-CFT Working Committee² and the officials of the Anti-Money Laundering Office (AMLO) on 14 March 2005 and reached an agreement on the objectives, scope, cost estimates, financing plan, and implementation arrangements of the TA. The TA framework is in Appendix 1.³

II. ISSUES

2. Adopting, implementing, and enforcing internationally accepted standards against money laundering and the financing of terrorism, in particular the 40 recommendations and 9 special recommendations on terrorist financing of the Financial Actions Task Force on Money Laundering (FAFT), are on the agenda of governments around the world. Thailand is strongly committed to establishing an efficient and reliable AML regime. The Anti-Money Laundering Act, which establishes the legal framework for an AML regime in Thailand, became effective on 20 August 1999. In accordance with the act, an AML board was established to undertake the functions of a financial intelligence unit. The board comprises the heads of relevant Government ministries and agencies, and is chaired by the Prime Minister and cochaired by the minister of finance. The act establishes necessary basic legal and institutional frameworks for an AML regime. Thailand is a founding member of the APG.

3. AMLO, set up in the Office of the Prime Minister, and in place since October 2002 under the supervision of the minister of justice, is mandated to (i) act in accordance with the resolutions of the AML board and carry out other administrative functions; (ii) receive transaction reports, to be delivered in accordance with the requirements of the act; (iii) collect, trace, monitor, study, and analyze reports or any other information related to financial transactions; (iv) collect evidence in order to prosecute any violator under the provisions of the act; (v) launch an education program to disseminate information, educate, and provide training pertaining to undertakings of the act; and (vi) carry out other functions in accordance with the provisions of the act and other laws.

4. Although AMLO has achieved some significant tangible results in confiscating criminal proceeds, gaps still remain for Thailand to fully comply with international conventions, including the FATF 40 plus 9 recommendations. Several studies assessing the requirements for Thailand to build a more effective AML-CFT regime in line with international standards

¹ ADB. 2003. *Enhancing the Asian Development Bank's Role in Combating Money Laundering and the Financing of Terrorism*. Manila.

² The AML/CFT Working Committee comprise representatives from the Bank of Thailand, Ministry of Finance, Securities and Exchange Commission, Ministry of Foreign Affairs, and the respective business associations for financial institutions.

³ The TA first appeared in *ADB Business Opportunities* (Internet edition) on 5 April 2005.

have been conducted, including an International Monetary Fund review mission that identified specific TA needs in February 2004. An aid coordination meeting to share the findings of the review mission was held on 11 and 12 May 2004. The requirements focused mainly on three areas: (i) revising the existing legal framework to bring it to full compliance with the FATF 40 plus 9 recommendations and other international conventions on AML-CFT; (ii) establishing a system of compliance for financial institutions in coordination with the respective supervisory agencies, such as the Bank of Thailand for banks, the Securities Exchange Commission for securities brokers and investment trusts, and the Ministry of Commerce for insurance companies; and (iii) building awareness of financial institutions, government officials, and the public in general.

5. In addition to the needs identified, assistance is needed to intensify efforts for international cooperation, which constitutes 5 of the FATF recommendations. Given the nature of money laundering and financing of terrorism, solid international cooperation is key to effective implementation of AML-CFT. The recommendations call for mutual legal assistance to the greatest extent possible and an established system for expeditious actions to be taken in response to requests made by foreign countries (FATF recommendations 37 and 38). The promotion of regional and international cooperation will have definite benefits. Technical expertise, latest cases of AML-CFT, and other relevant information may be obtained from the more developed countries. Regionally, Thailand is in a position to share its experiences in establishing the legal and institutional frameworks for AML-CFT with neighboring Mekong countries that are just now initiating the process.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

6. The objective of the TA is to assist the Government in its efforts to build a more efficient and effective AML-CFT regime. The TA will help Thailand achieve a higher level of compliance in the area of international cooperation within the framework of established international standards. The TA has two components.

7. **Component A.** The first component will assist the Government in (i) reassessing the legal, institutional, and procedural requirements for conforming to the FATF 40 plus 9 recommendations on international cooperation; and (ii) formulating an action plan through consultation with all stakeholders, including all government agencies concerned and the private sector (to be represented by the respective business associations), as well as international and regional organizations on AML-CFT.

7. International consultants will be engaged to reassess the current AML-CFT regime in light of its compliance with FATF recommendations on international cooperation and other international conventions. A sequenced draft action plan will be prepared for achieving a higher level of compliance in the next 3 years.

8. The draft action plan will be discussed with all key officials and stakeholders involved in implementing the action plan. A high-level workshop will be held to present the action plan for open discussions with key government officials. After consolidating feedback given during and after the high-level workshop and an agreement on the action plan, the plan will be presented by the Government to private sector financial institutions (to be represented by the respective business associations) for their comments and suggestions. The action plan will be finalized for adoption by the Government.

9. The first component will also initiate the first phase of the adopted action plan, with technical inputs from international consultants.

10. **Component B.** The second component will support the Government in holding training sessions for officials in the Mekong region. The Thai Government, with AMLO as the focal point, will organize the training sessions on measures for establishing the legal and institutional framework for an AML-CFT regime, including cross-border issues. ADB and the international consultants will help prepare the training sessions and select officials from relevant countries as appropriate.⁴ The sessions will also serve as a platform to present the action plan for international cooperation adopted by the Thai Government.

B. Methodology and Key Activities

11. The TA aims to (i) build a consensus on a phased plan for conforming to the FATF 40 plus 9 recommendations on international cooperation by all relevant stakeholders, including the government ministries and agencies concerned, and private sector financial institutions; and (ii) achieve completion of the first phase of such a plan. A consultative approach will be taken throughout TA implementation to ensure that the 3-year action plan to achieve higher levels of compliance with the requirements for international cooperation in AML-CFT is sequenced, practical, and has the support of all stakeholders in its implementation. The TA will also consult Asia/Pacific Group on Money Laundering (APG) as well as the Egmont Group of financial intelligence units to ensure that the measures adopted are in line with the internationally accepted AML standards as set out in the FATF 40 plus 9 recommendations.

12. Key activities will include consultative discussions with all stakeholders, a high-level workshop with the officials of the Government ministries and agencies concerned in finalizing the 3-year action program, and training sessions for establishing the AML-CFT regime for the Mekong region. The deliverables will be publicly disseminated in consultation with AMLO, when assessed to be beneficial for promoting awareness of AML activities in Thailand.

C. Cost and Financing

13. The total cost of the TA is estimated at \$429,000 equivalent, comprising a foreign exchange cost component of \$215,000 and \$214,000 equivalent in local currency cost. ADB will provide \$300,000 equivalent covering the entire foreign exchange cost and \$85,000 equivalent of the local currency cost. The TA will be financed on a grant basis by the Cooperation Fund for Regional Trade and Financial Security Initiative.⁵ ADB will administer the TA. The Government will contribute \$129,000 in kind for office space, counterpart staff, local transportation, and other services and facilities. The cost estimates and financing plan are in Appendix 2.

D. Implementation Arrangements

14. AMLO will be the Executing Agency for the TA. The AML-CFT Working Committee will be the Implementing Agency and will provide necessary office space, counterpart staff, transportation, and other support services to the consultants. AMLO will be responsible for

⁴ Mekong region members of the Asia-Pacific Economic Cooperation, as well as Cambodia and Lao PDR will be the targeted countries.

⁵ The Cooperation Fund for Regional Trade and Financial Security Initiative is a multi-donor umbrella facility that supports ADB TA to developing member countries for enhancing port security and combating money laundering and terrorist financing. The governments of Australia, Japan, and the United States have contributed to this fund.

coordinating various institutions and agencies involved in formulating the 3-year action plan, organizing the training program for the region, and overseeing overall TA implementation.

15. ADB will engage international consultants in association with domestic consultants to provide services for a total of 13 person-months: 7 person-months international and 6 person-months domestic. The terms of reference for the consultants are in Appendix 3. Individual consultants will be selected and engaged in accordance with ADB *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of consultants.

16. The consultants will prepare an inception report within 3 weeks of the start of services, delineating the work plan for all deliverables including the schedules for the regional training program. The interim report, to be submitted within 3 months after TA inception, will report all initial findings and concrete recommendations for the 3-year action plan, along with a practical time line of events to complete the TA, utilizing the remaining resources. A tripartite meeting involving AMLO, AML-CFT Working Committee, the consultants, and ADB will consider the interim report and its findings and recommendations, and agree on utilization of remaining resources. The final report, incorporating the comments of ADB and the Government will be submitted within 6 months after the start of services. The TA is planned to commence by July 2005 and be completed by May 2006. Depending on the achievements of this TA, a follow-on TA may be considered for strengthening regional cooperation on AML-CFT.

IV. THE PRESIDENT'S DECISION

17. The President, acting under the authority delegated by the Board, has approved ADB administering technical assistance not exceeding the equivalent of \$300,000 to the Government of Thailand to be financed on a grant basis by the Cooperation Fund for Regional Trade and Financial Security Initiative, for Promoting International Cooperation on Anti-Money Laundering and Combating the Financing of Terrorism, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets/Indicators	Data Sources/Reporting Mechanisms	Assumptions and Risks
<p>Impact</p> <p>Develop an efficient and effective regime for anti-money laundering (AML) and combating the financing of terrorism (CFT) in the country.</p>	<p>Enhanced level of compliance with the recommendations of the Financial Actions Task Force on AML-CFT</p>	<p>Dialogue with the Government and other stakeholders</p> <p>Asia/Pacific Group on Money Laundering (APG) annual meetings and results of mutual assessment programs</p>	<p>Assumption</p> <ul style="list-style-type: none"> ▪ Commitment of the Government to institutionalize international cooperation for AML-CFT including new legislation
<p>Outcome</p> <p>Promote understanding and achieve high levels of compliance with international standards on AML-CFT, particularly in regard to international cooperation.</p>	<p>Improved compliance with the requirements for effective international cooperation in AML-CFT</p>	<p>Dialogue with the Government and other stakeholders</p> <p>APG annual meetings and results of mutual assessment programs</p> <p>Improved levels of assistance sought and provided</p>	<p>Risks</p> <ul style="list-style-type: none"> ▪ Availability and willingness to share information in a timely manner for adequate diagnosis of the existing AML-CFT framework ▪ Capacity and willingness of workshop/training program participants
<p>Outputs</p> <ul style="list-style-type: none"> ▪ A comprehensive action plan for the next 3 years, outlining sequenced measures to be taken by all stakeholders to meet the requirements for international cooperation in AML-CFT ▪ Training program materials 	<p>An action plan acceptable to the stakeholders, AMLO, AML-CFT Working Committee, and the Asian Development Bank (ADB), formally adopted by the Government</p>	<p>Ongoing dialogue with stakeholders</p> <p>Inception, interim, draft final reports</p> <p>Consultation prior to holding workshops and scheduling training programs</p>	<p>Assumption</p> <ul style="list-style-type: none"> ▪ Stakeholders' interest and commitment to engage in the planned activities <p>Risks</p> <ul style="list-style-type: none"> ▪ Adequate and timely inputs by the stakeholders in the process of consensus building ▪ Participation of appropriate officials in the workshops and training programs ▪ Timely fielding of consultants and adequate preparation for workshops and training programs

<p>Activities with Milestones</p> <ol style="list-style-type: none"> 1. Discussions with all stakeholders on required actions and measures to enhance international cooperation in AML-CFT. The content of the discussions and comments will be included in the draft action plan. 2. Workshops for stakeholders to discuss and agree on a time-bound action plan for achieving better compliance in international cooperation. The final workshop on the action plan will be the basis on which the plan will be finalized and for the Government to consider its adoption. 3. Training programs, to share the experience of Thailand with other countries in the Mekong region. 	<p>Inputs</p> <p>ADB</p> <ul style="list-style-type: none"> ▪ 13 person-months consultancy ▪ Workshops ▪ Training sessions <p>Government</p> <ul style="list-style-type: none"> ▪ Office space ▪ Counterpart staff ▪ Relevant data and information <p>Private Sector</p> <ul style="list-style-type: none"> ▪ Participation in workshop discussions and training sessions ▪ Relevant data and information
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Robert S. Boumphrey
 Director
 Governance, Finance, and Trade Division
 Mekong Department
 Date: _____

Rajat M. Nag
 Director General
 Mekong Department
 Date: _____

COST ESTIMATES AND FINANCING PLAN
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
A. Cooperation Fund for Regional Trade and Financial Security Initiative Financing^a			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	150.0	0.0	150.0
ii. Domestic Consultants	0.0	25.0	25.0
b. International and Local Travel	20.0	5.0	25.0
c. Reports and Communications	0.0	5.0	5.0
2. Training, Seminars, and Conferences			
a. Facilitators	20.0	0.0	20.0
b. Training Program	0.0	40.0	40.0
3. Miscellaneous Administration and Support Costs	0.0	10.0	10.0
4. Contingencies	25.0	0.0	25.0
Subtotal (A)	215.0	85.0	300.0
B. Government Financing			
1. Office Accommodation and Transport	0.0	80.0	80.0
2. Remuneration and Per Diem of Counterpart Staff	0.0	49.0	49.0
Subtotal (B)	0.0	129.0	129.0
Total	215.0	214.0	429.0

^a Administered by the Asian Development Bank.
Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE

A. International Consultants

1. AML-CFT Operations Expert, Team Leader (4 person-months)

1. The anti-money laundering (AML)-combating the financing of terrorism (CFT) operations expert will have solid operational experience in AML-CFT for addressing complex issues involved in adopting an effective AML-CFT regime, preferably both with a developed country and other countries in the region. The expert will be familiar with the operational requirements for meeting the 40 plus 9 recommendations of the Financial Actions Task Force on Money Laundering (FATF), in particular those relating to international cooperation. Preferably, he/she will be experienced in establishing the institutional setup, practices, and procedures for effective international cooperation on AML-CFT.

2. As the team leader, the specialist will have strong interpersonal and communication skills, and be a proficient writer. He/she will be responsible for all activities under this technical assistance (TA) and timely delivery of all outputs. In coordination with the team members, the team leader will undertake the following:

- (i) Review the existing institutional framework in Thailand; identify impediments to meeting the requirements for AML-CFT international cooperation; and prepare a clear, well-sequenced, and practical 3-year action plan for improving compliance with the international standards set by FATF and other international organizations. The action plan will take into full consideration the current business practices, supervisory frameworks of financial institutions, and the supporting information technology systems of financial institutions. A consultative approach will be emphasized to ensure ownership to the action plan and commitment to its implementation.
- (ii) Identify specific areas to be addressed in the action plan, including (a) legal frameworks; (b) institutional setups, including the role of the private sector; and (c) agreed procedures to enable expeditious actions by the Thai Government in response to requests made by other countries.
- (iii) Organize a high-level workshop for the officials concerned and present the 3-year action plan for feedback. Incorporate the feedback and present the action plan to the private sector stakeholders for feedback. Finalize the action plan for adoption by the Government.
- (iv) Provide technical support in implementing the first phase of the action plan.
- (v) Organize a training program for the Mekong region, with an emphasis on the experience of Thailand in initiating the process to establish an AML-CFT regime in the country. Lessons learned will be shared by the Thai Government. If adopted, the action plan for promoting international cooperation in AML-CFT will also be presented.

2. AML-CFT Legal Expert (3 person-months)

3. The AML-CFT legal expert must be experienced and knowledgeable in best practices of international cooperation under the FATF 40 plus 9 recommendations for AML-CFT. He/she will have experience drafting legal documents, laws, rules and regulations, as well as other forms of agreements such as memorandums of understandings with other financial intelligence units for developed and other countries in the region. The expert will have detailed working knowledge of such legal documents. Responsibilities include the following:

- (i) Together with the team leader and the domestic consultant, review and assess the existing laws, rules, and regulations in Thailand as they pertain to meeting the requirements for international cooperation in AML-CFT. Identify gaps and recommend a sequence of measures to be taken by Government ministries and agencies concerned to fill such gaps.
- (ii) Discuss the sequence of measures with Government ministries and agencies concerned to establish a consensus toward building a legal framework that would enable Thailand to engage in effective international cooperation in AML-CFT. The draft sequence of measures will be incorporated into the 3-year action plan and presented at the high-level workshop to gain the inputs of Government officials concerned. Revise the 3-year action plan in cooperation with the team leader and domestic consultant.
- (iii) Together with the team leader and the domestic consultant, prepare and organize the training program for the Mekong region. Act as a resource person during the training program.

B. Domestic Consultant

3. AML-CFT Compliance Expert (6 person-months)

4. The AML-CFT compliance expert will be knowledgeable and experienced in legal and regulatory issues, as well as operational matters regarding AML-CFT in Thailand. In particular, he/she should be familiar with the current practices, both within the Government and the major domestic financial institutions, in meeting the AML-CFT requirements. Responsibilities include the following:

- (i) Help the team leader and AML-CFT legal expert review the existing legal frameworks, institutional setups and practices, and procedures; and identify impediments for meeting the requirements for international cooperation under the 40 plus 9 FATF recommendations.
- (ii) Support the team leader and the AML-CFT legal expert prepare the 3-year action plan, and help build consensus for its adoption by all stakeholders.
- (iii) Support the team leader in all matters pertaining to the arrangement of workshops and organization of training sessions, as required.